



**Look  
forward to  
retirement!**

## **RIC Options for Distribution**

### **Distribution Eligibility**

403b account assets are available for distribution without penalty or restriction if a “distributable event” has occurred. A distributable event is one or more of the following:

- Attainment of age 59½ (even if employed)
- Termination of employment
- Qualification for loan or financial hardship (if allowed by your employer)
- Death
- Disability
- Purchase of service credits- plan-to-plan transfer (nontaxable)



### **403b Account Options**

- **Stay invested in RIC.** You are not required to move your funds out of the plan when you leave employment. You may stay invested in RIC until you choose to close your account or turn 70 ½\*. The benefits of staying invested include:
    - Contributions and earnings stay tax-deferred
    - Diversified, low-cost investments (no cost for fixed rate accounts) that meet minimum investment policy standards and undergo annual reviews by an external investment consultant
    - Assets remain liquid with no restrictions or fees for distributions
    - Rollovers into RIC are allowed at any time
- \*The IRS requires that you begin taking annual minimum distributions at age 70 ½, unless you are still employed. A 50% penalty may apply to the required distribution amount if you fail to take it on time.
- **Take a taxable payment(s).** Once a distributable event has occurred, you may receive payment without fees or restrictions. Your payment options include total and partial lump sums, periodic payments that can be changed at any time, lifetime payments, or any combination of these options. Taxable distributions are taxed as ordinary income and reported on IRS Form 1099R. Automatic 20% federal and 5% state income tax is withheld unless:
    - You are age 70 ½+
    - You choose a lifetime annuity
    - You choose a series of payments for 10+ years
    - You live outside of Iowa (state tax exception only)
  - **Roll to another retirement plan** (not required). See “Should I move to an IRA?” on the reverse side. A rollover is a non-taxable transfer.

### **Distribution Requests**

To request a distribution, contact your investment provider to determine what forms are required. To receive employer/plan sponsor approval, log into [planwithease.com](http://planwithease.com) and process your request. Print the letter in the Reports folder and submit that, along with any required forms, to your provider. You can access more information about planwithease on RIC's website at [http://ric.iowa.gov/403b/index\\_tpa\\_ee.html](http://ric.iowa.gov/403b/index_tpa_ee.html).



## “Should I move to an IRA?”

Each investor is different. Before you decide, be sure that the IRA benefits are at least as good as your RIC plan benefits. Remember that the RIC plan is administered for the exclusive benefit of the participants and their beneficiaries. RIC “shops the competition” for the newest and best investments offered in retirement plans through competitive bidding at least every 6 years. In addition to meeting minimum plan requirements, RIC investment options:

- ✓ Undergo annual investment reviews by an external investment consultant
- ✓ Have no restrictions or penalties for eligible distributions
- ✓ Are well-diversified, competitive, and low cost (no cost for fixed rate accounts)

### Don’t feel pressured

Remember that you don’t have to do anything with your 403b if you don’t want to. So take the time you need to thoughtfully consider any recommendations being made about your retirement assets. Here are some of the statements you may hear...

Someone says...	What you know...
“Your investment selection is limited in your employer plan”	You have guaranteed fixed rate options (no fees) plus over 125 mutual funds managed by top-performing investment managers at low cost
“You’re paying too much in RIC”	You have no annual contract, M&E, or surrender fees, and no to low administrative fees (no fees for fixed rate accounts). Many RIC fund share fees are lower than retail shares because of economies of scale
“You will have more flexible payment options in an IRA”	RIC accounts have no restrictions, surrender penalties, maturities, etc. Your money is always liquid. This may not be the case in the IRA.
“I (advisor) can’t help you unless you move out of RIC”	In some cases advisors are not interested in helping employees with RIC accounts because low RIC fees (part of the plan requirements) generally do not pay the advisor as much as retail investments in IRAs. If the advisor manages other investments for you, they can tell you if your RIC investment selection complements the retail investments they manage for you.

### Ask these questions before you move to an IRA:

- Fees:** RIC investments have no annual contract fees or M&E (mortality & expense) fees or fees for the fixed rate accounts and no sales charges for mutual funds (many offer institutional shares at lower-than-retail share prices); what fees will I pay in the IRA?
- Restrictions:** RIC has no restrictions or penalties for distribution; will this change if I move to the IRA?
- Payment options:** I have the option to choose a variety of payment options in RIC including total and partial lump sums, periodic payments that can be changed at anytime, lifetime payments, or any combination of these; will the IRA allow me the same flexibility?

Understanding these aspects of the proposed new IRA investment will help you make an informed decision. Don’t be afraid to ask questions, even if the person offering the IRA is a friend or referral from a friend. It’s your money-they’ll understand and respect your careful consideration of a new investment.

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#### Retirement Investors’ Club

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<http://ric.iowa.gov/403b>